



# Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-465-003

Products	Shirts and Blouses of Certain Flannel Fabrics
Requesting Parties	B*W*A, New York, NY
Date of Commission Report: USTR Public	April 14, 2005 April 2005
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### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON APRIL 14, 2005. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (\*\*\*)

### Summary of Findings

This report contains the Commission's advice on three flannel fabrics contained in three separate petitions. The fabrics named in the petitions filed by B\*W\*A, New York, NY, with the Committee for the Implementation of Textile Agreements (CITA) in March 2005, and under review in this report, are similar to those named in earlier petitions filed with CITA in 2004. The subject fabrics are, however, made of finer yarns than those in the earlier petitions. CITA approved the earlier petitions, stating that the subject fabrics could not be supplied by the domestic industry in commercial quantities in a timely manner.<sup>1</sup>

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of shirts and blouses made in eligible Caribbean Basin countries from the subject flannel fabrics, regardless of the source of such fabrics, would not likely have an effect on U.S. yarn, fabric, or apparel producers and their workers. The Commission is unaware of any firm that makes shirts and blouses containing the subject fabrics in the United States or any firm that makes shirts and blouses that are readily substitutable for the subject shirts in the United States. The Commission is also unaware of any domestic production of the subject flannel fabrics. The proposed action would likely benefit U.S. firms making shirts and blouses in eligible Caribbean Basin countries from the subject fabrics, and their U.S.-based workers, as well as U.S. consumers.

### Background

On January 19, 2005, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-465, *Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and*

<sup>1</sup> The flannel fabrics named in the three petitions covered by this review are generally similar to the flannel fabrics specified in five earlier groups of petitions concerning such fabrics filed with CITA in 2004. CITA determined that the flannel fabrics covered by the groups of petitions received on May 12, June 21, August 3 and 16, and September 24 of 2004 could not be supplied by the domestic industry in commercial quantities in a timely manner. The fabrics named in the petitions were the subject of Commission investigations Nos. 332-458-005, 332-458-009, 332-458-010, 332-458-015, and 332-458-021.

*Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). This investigation provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2005 with CITA under the “commercial availability” provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>2</sup>

The Commission’s advice in this report relates to three petitions received by CITA on March 3, 2005,<sup>3</sup> alleging that certain flannel fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for shirts and blouses made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics.<sup>4</sup>

## **Discussion of the product**

The petitions filed by B\*W\*A, New York, NY, an apparel company that designs and produces flannel apparel, cover four types of 100-percent cotton flannel fabrics that are imported under statistical reporting numbers 5208.43.00.00, 5209.43.00.50, 5209.49.00.90, and 5209.59.00.25 of the Harmonized Tariff Schedule of the United States (HTS). The 2005 general rates of duty on the fabrics, which are for use in shirts and blouses, range from free to 8.4 percent ad valorem. The apparel articles are classified in HTS chapter 62 (apparel, not knitted or crocheted), and the general rates of duty range from 15.4 to 19.7 percent ad valorem.

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<sup>2</sup> For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of Jan. 26, 2005 (70 F.R. 3728) and consult the Commission’s website at [www.usitc.gov/ind\\_econ\\_ana/research\\_ana/pres\\_cong/332/short\\_supply/shortsupintro.htm](http://www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm).

<sup>3</sup> Two of these petitions were withdrawn and new petitions were subsequently filed with CITA on March 9, 2005, which covered the same fabrics as the original petitions plus an additional flannel fabric. The petitions before the Commission cover fabric 1) 4-thread twill weave flannel fabrics of singles yarns; fabric 2) 4-thread twill flannel fabrics of plied yarns; fabric 3) herringbone twill woven flannel fabric (the new fabric); and fabric 4) double-faced irregular sateen weave flannel fabrics.

<sup>4</sup> The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<b>Fabric Specifications</b>				
<b>HTS statistical reporting number and description</b>	<b>Finish<sup>1</sup></b>	<b>Weight and Width<sup>2</sup></b>	<b>Construction</b>	<b>Yarn number for the warp, filling, and overall average yarn number (AYN)<sup>3</sup></b>
Fabric 1: 5208.43.0000 4-thread twill of singles yarns	Plaid of 2 or more and up to 8 yarns of different colors	136-140 g/m2; 148-152 cm	38-40 warp ends/cm; 28-30 filling picks/cm; total: 66-70 threads/cm2	Warp: 48-52 metric Filling: 48-52 metric AYN: 48-50 metric
Fabrics 2 & 3: 5209.43.0050 4-thread twill of plied yarns 5209.49.0090 herringbone twill	Plaid of yarns of different colors in the warp and filling	301-303 g/m2; 142-145 cm	25-26 warp ends/cm; 23-24 filling picks/cm total: 48-50 threads/cm2	Warp: 35/2-36/2 metric Filling: 35/2-36/2 metric AYN: 32-34 metric
Fabric 4: 5209.59.0025 double-faced irregular sateen	Double-faced; yarns of different colors; printed with fiber reactive dyes on one side	325-327 g/m2 148-152 cm	33-35 warp ends/cm; 57-59 filling picks/cm total: 90-94 threads/cm2	Warp: 50-52 metric; Filling: 23-25 metric AYN: 28-30 metric
<sup>1</sup> In addition, all the fabrics are napped on both sides and sanforized. <sup>2</sup> All the widths are "cuttable" widths, useable for making the garments. <sup>3</sup> For each of the four fabrics, the warp yarn is ring spun and the filling yarn is open-end spun.				

According to the petitioner, shirts and blouses made from the subject flannel fabrics, \*\*\*, are "designed and manufactured to give a richer appearance, softer feel, greater durability (can sustain more washings), and exhibit less shrinkage."<sup>5</sup> The petitioner states that the quality of the subject fabrics exceeds that of other flannels. In addition, garments made from the subject flannel fabrics reportedly offer the consumer a "superior, visual appearance and hand." All the subject fabrics are made from finer yarns than the flannel fabrics named in the petitions filed in 2004. The subject fabrics are made of dyed yarns of different colors, woven into plaid and/or gingham check patterns; the double-faced fabric has an all-over print printed on a background of dyed yarns. All the subject fabrics are double napped (meaning the fabrics are napped on both sides). Napping is a time-consuming process that provides the fuzzy finish. Double napping takes twice as long to manufacture, is twice as costly, and requires specialized machinery. All the subject fabrics are sanforized to prevent shrinkage.

The subject fabrics differ from each other by weight, finish, construction, and/or yarn size. The double-faced fabric requires the use of pick and pick looms, which constitute a small portion of the looms in the United States and which are more expensive than single-filling insertion looms. Most flannel fabrics woven in the United States use open-end spun yarns, whereas the subject flannel fabrics use ring-spun yarns in the warp yarn.<sup>6</sup>

<sup>5</sup> Most of the information in this paragraph is from Charles Bremer, Consultant on behalf of B\*W\*A, interview with Commission staff, Mar. 17, 2004.

<sup>6</sup> Charles Bremer, Consultant on behalf of B\*W\*A, interview with Commission staff, Mar. 17, 2005.

Shirts and blouses made from the subject fabrics generally compete in the higher end of the retail market. In contrast to mass-market flannel shirts and blouses, which, according to the petitioner, sell at retail for \$\*\*\* each, shirts and blouses made from the subject fabrics will retail for the following prices: shirts and blouses made from the double-faced sateen fabrics at \$\*\*\* per unit, from fabrics made of the singles yarns at \$\*\*\* per unit and from fabrics made of the plied yarns at \$\*\*\* per unit.<sup>7</sup>

## **Discussion of affected U.S. industries, workers, and consumers<sup>8</sup>**

### ***Yarn producers***

The Commission is unaware of any U.S. producers of ring-spun yarn for the subject flannel fabrics. \*\*\*.  
\*\*\*9\*\*\*10\*\*\*

### ***Fabric producers***

Commission staff contacted the National Council of Textile Organizations (NCTO)<sup>11</sup> and the five firms believed to weave cotton flannel fabric in the United States for use in apparel: Dan River, Inc., Danville, VA; Wade Manufacturing Co., Wadesboro, NC; Carolina Mills, Maiden, NC; Mount Vernon Mills, Inc., Greenville, SC; Avondale Mills, Granitville, SC, and Cone Denim, a division of International Textiles Group (ITG),<sup>12</sup> Greensboro, NC. According to a NCTO official, domestic production of flannel fabric has been shrinking in recent years.<sup>13</sup> None of the five weavers that Commission staff contacted produces the subject fabrics. Dan River no longer produces any type of flannel fabrics.<sup>14</sup> Although it is a leading manufacturer of flannel fabrics, Wade Manufacturing does not make the subject fabrics \*\*\*<sup>15</sup> Carolina Mills specializes in producing heavier-weight flannels and does not currently produce or have any plans to produce the subject fabrics \*\*\*.<sup>16</sup> Avondale Mills manufactures only heavier-weight flannel used in pants and slacks<sup>17</sup> and Cone Denim "makes no flannel."<sup>18</sup>

The petitioner states that it imports flannel fabrics \*\*\*<sup>19</sup>\*\*\*.<sup>20</sup>

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<sup>7</sup> Charles Bremer, Consultant on behalf of B\*W\*A, email to Commission staff, Mar. 23, 2005.

<sup>8</sup> In general, the manufacturing progression for textiles is: (1) fibers are processed into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods. This section repeats the detailed industry discussion provided in the Commission's earlier report on the subject yarns almost verbatim except where relevant new information was provided in the current petition.

<sup>9</sup> \*\*\* telephone interview with Commission staff, Mar. 21, 2005.

<sup>10</sup> \*\*\* telephone interview with Commission staff, Mar. 21, 2005.

<sup>11</sup> The NCTO represents the entire textile sector - the fiber, yarn, fabric, and supplier industries. This organization absorbed the American Yarn Spinners Association, the former national trade association representing the sales yarn manufacturing industry.

<sup>12</sup> Cone Denim is a division of ITG which acquired the former Cone Mills LLC.

<sup>13</sup> Michael Hubbard, Executive Vice President, NCTO, telephone interview with Commission staff, Mar. 23, 2005.

<sup>14</sup> Damien McDermott, Product Merchandiser, Dan River, telephone interview with Commission staff, Mar. 14, 2005.

<sup>15</sup> \*\*\* \*\*\* telephone interview with Commission staff, Mar. 14, 2005.

<sup>16</sup> Stephen Dobbins, President & CEO, Carolina Mills, telephone interview with Commission staff, Mar. 18, 2005.

<sup>17</sup> Keith Hull, President & CEO, Avondale Mills, telephone interview with Commission staff, Mar. 23, 2005.

<sup>18</sup> Mary Black, Assistant to Director, Process and Strategy Analysis, Cone Mills, telephone interview with Commission staff, Mar. 17, 2005.

<sup>19</sup> \*\*\* interview with Commission staff, Mar. 17, 2005.

<sup>20</sup> \*\*\* email to Commission staff, Mar. 17, 2005.

## **Apparel Producers**

Commission staff contacted a B\*W\*A representative who indicated that the firm designs men's and boys' shirts and women's and girls' blouses made with the subject fabrics, conducts the merchandising and sales operations at its New York City offices, and \*\*\*<sup>21</sup>\*\*\*<sup>22</sup>

According to a representative for \*\*\*.<sup>23</sup>

According to an official at \*\*\*.<sup>24</sup>

Based on discussions with an industry representative, it appears that U.S.-produced flannel shirts and blouses generally are not substitutable for shirts and blouses made of the subject flannel fabrics.<sup>25</sup> This industry representative stated that \*\*\*.

## **Views of interested parties**

No written submissions were filed with the Commission.

## **Probable economic effect advice<sup>26</sup>**

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of shirts and blouses made in eligible CBTPA countries from the subject flannel fabrics, regardless of the source of such fabrics, is not likely to have an effect on U.S. yarn, fabric, or apparel producers and their workers. Currently, there is no known U.S. production of shirts and blouses made from the subject fabrics. In addition, there appears to be no U.S. production of shirts and blouses that could be considered substitutable for ones made from the subject fabrics. Most flannel shirts and blouses imported into the U.S. market are generally sold at lower price points than the majority of shirts and blouses made of the subject fabrics. To the extent that the shirts and blouses made from the subject fabrics are substitutable for shirts and blouses sold in the United States, they likely would displace imports since imports supply most of this U.S. market.

Granting the petition will not likely have any impact on U.S. fiber, yarn, or fabric producers and their workers, because currently there is no known U.S. production of the subject fabrics or yarns or fibers designated for the subject fabrics.

U.S. firms making apparel in eligible CBTPA countries and their U.S. based workers would likely benefit from the proposed preferential treatment. The proposed preferential treatment would likely benefit U.S. consumers of shirts and blouses made from the subject fabrics to the extent that importers pass on some of the duty savings to retail consumers.

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<sup>21</sup> \*\*\* telephone interview with Commission staff, Mar. 23, 2005.

<sup>22</sup> \*\*\* interview with Commission staff, Mar. 17, 2005.

<sup>23</sup> \*\*\* telephone interview with Commission staff, Mar. 24, 2005.

<sup>24</sup> \*\*\* telephone interview with Commission staff, Apr. 11, 2005.

<sup>25</sup> \*\*\* telephone interview with Commission staff, Apr. 1, 2005.

<sup>26</sup> The Commission's advice is based on information currently available to the Commission.